

DIRECTIVE

WORKFORCE INVESTMENT ACT

Number: WIAD04-16

Date: March 18, 2005

69:136:lh:7666

TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: WIA LINE ITEM/SUBGRANT AND INTERAGENCY AGREEMENTS
CLOSEOUT HANDBOOK

EXECUTIVE SUMMARY:

Purpose:

This directive provides new and revised forms along with additional information to be used when closing out Workforce Investment Act (WIA) line items, subgrant agreements and interagency agreements. The closeout instructions in this directive incorporate recent changes to financial reporting requirements for WIA Adult and Dislocated Worker formula funds, 15 Percent funds, 25 Percent Additional Assistance funds, and National Emergency Grant (NEG) grant projects. In particular, the instructions address the requirement to report expenditures attributable to core self, core registration, intensive and training services on the appropriate lines and to separately identify training costs attributable to Individual Training Accounts (ITA) and tuition payments. The handbook accompanying this directive contains the necessary forms and line item instructions for proper closeout of all WIA grant funds.

Finally, this directive emphasizes that all cash due to the subrecipient for all expenditures incurred must be drawn by the time the closeout package is submitted to the State. This directive involves only financial data and does not change current participant closeout requirements.

Scope:

This closeout directive applies to Local Workforce Investment Areas (LWIA), and subgrantees in receipt of WIA grant funds from the State and are hereafter, referred to as subrecipients.

Effective Date:

This directive is effective on date of issue.

REFERENCES:

- Title 20 Code of Federal Regulations (CFR) WIA Final Rule Section 667.300(d), Reporting Requirements
- Title 29 CFR Part 95, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations

- Title 29 CFR Part 97, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
- Training and Employment Guidance Letter (TEGL) 7-99

STATE-IMPOSED REQUIREMENTS:

This directive contains State-imposed requirements. These requirements are indicated by ***bold, italic*** type.

FILING INSTRUCTIONS:

This directive supersedes WIA Directive WIAD02-2, dated August 15, 2002, and finalizes WIA Draft Directive WIADD-90, issued for comment on January 21, 2005. Retain this directive until further notice.

BACKGROUND:

Title 20 CFR Section 667.300(d) states that a final financial report is required after the expiration of a funding period or the termination of grant support.

CLOSEOUT SUBMITTAL REQUIREMENTS:

Subrecipients must submit closeout documents to the State within 60 days when ANY of the following occur:

- A subgrant agreement or interagency agreement has reached the term end date of the agreement;
- Formula funds (LWIAs only) are at the end of the two-year term of the funds;
- Any line item within a subgrant agreement or interagency agreement is fully spent and the term has ended;
- Any line item within a subgrant agreement or interagency agreement is fully spent and the term has NOT ended; or
- Any line item within a subgrant agreement or interagency agreement has reached the term end date and the funds are NOT fully spent.

Instructions and report forms necessary to complete a closeout package are provided in the WIA Line Item, Subgrant Agreement and Interagency Agreement Closeout Handbook. The link to the handbook is shown on page nine of this directive.

CLOSEOUT TIMEFRAMES:

The following are actions subrecipients should take in preparing to file closeout documents. All timeframes listed are considered to be approximate. As a special caution to non-LWIAs or any entity that will not have continuing WIA funding, please note, as stated below, that no WIA expenditures can take place against the closing line item/subgrant agreement after the term end date. Prepaying for any required records storage or audits is suggested. All closeout work that takes place after the term end

date must be funded by sources other than in the closing of a WIA line item/subgrant agreement.

Three months prior to the term end date:

1. Update cash disbursements and expenditure reports in the Job Training Automation (JTA) system as necessary.
2. Program income earned should be fully expended.

One month prior to the term end date:

1. Identify all unliquidated obligations and work toward finalizing the cost prior to the term end date since no unliquidated obligations can be shown on a closeout report.
2. Gather the necessary closeout documents as described in this directive.
3. Inform staff the line item, subgrant agreement or interagency agreement is closing and no staff time can be charged after the term end date.
4. Notify any subcontractors that all final invoices must be submitted by a specific date and that failure to do so will result in non-payment for goods or services rendered.

When the term end date occurs:

1. Draw down cash to cover all expenses that occurred up to the term end of the line item/subgrant agreement.
2. NO costs of any kind can occur and will not be allowed after the term end date.
3. Pay all accruals prior to submitting the closeout package. Closeout packages will not be processed until all accrued expenditures are paid.

In the 60 days between the term end date and the date the closeout submittal is required, the following steps must occur:

1. Complete payments to all subcontractors for any accruals, since final invoices should have been received.
2. Prepare and enter closeout reports in the JTA system.
3. Complete, sign and mail all necessary closeout forms to the address provided below.

Attention: WIA Closeout Desk
Financial Management Unit, MIC 69
Workforce Investment Division
Employment Development Department
P.O. Box 826880
Sacramento, CA 94280-0001

4. Return any unexpended cash to the State at the address below. All returned funds must be documented with the name of the entity, Year of Appropriation (YOA),

subgrant agreement number, funding stream, grant code and any other identifying factors to allow the funds to be returned to the appropriate account.

Fiscal Programs Division, MIC 70
Employment Development Department
P.O. Box 826217
Sacramento, CA 94230-6217

POLICY AND PROCEDURES:

The WIA Line Item, Subgrant Agreement and Interagency Agreement Closeout Handbook contain closeout forms and instructions. All subrecipients are responsible for ensuring compliance with the requirements of the handbook. It is also the responsibility of each subrecipient to issue closeout instructions to each of their subcontractors, providing sufficient time to conduct an orderly closeout of the line item/subgrant agreement. All subrecipients are to use the following matrix to determine which forms are to be completed when closing out a line item/subgrant agreement.

<i>Documents required></i> Type of closeout	<i>Summary of Expenditures</i>	<i>Status of Cash</i>	<i>Sub- recipient Release</i>	<i>Assignment of Refunds, etc.</i>	<i>Tax Cert.</i>	<i>Property Cert.</i>
Subgrant or Interagency Agreement closeout	YES	YES	YES	YES	YES	YES, IF APPLICABLE *
Line Item ONLY closeout	YES	YES	NO	NO	NO	NO

*A LWIA would submit the property certification form only when the WIA program ends or when otherwise notified by the State. A Community Based Organization or any other subrecipient that will not receive additional WIA funds from the State must complete the property certification form when their program ends. The above WIA closeout documents are available in the closeout handbook.

Closing Formula Funds

The WIA formula funds are allocated during each program year to the LWIAs with a specific term ending date. In many cases, the subgrant agreement may contain other funds that extend beyond the term ending date of the formula funds. Therefore, the formula funds must be closed out even though the subgrant agreement term may go beyond the formula funds ending date. Formula funds that fall into this category will have grant codes: 201, 202, 203, 204, 301, 303, 304, 501, 502, 503, and 504.

For example, formula funds allocated for the program year beginning July 1, 2004, must be spent by June 30, 2006. Any formula funds not spent by June 30, 2006, must be returned to the State. Based on this example, JTA closeout expenditure reports would be due by August 20, 2006, and closeout hard copy reports would need to be submitted no later than August 30, 2006.

Cash Draws

All subrecipients must closely monitor their cash draws to ensure the total funds drawn align with total expenditures. **All cash must be drawn to meet the expenditures incurred when a closeout package is submitted.**

Disposition of Supplies (for subrecipients required to file a property certification)

Supplies are defined as items with a useful life of one year or less and a unit acquisition cost of less than \$5,000. Supplies can include computers (unless the price exceeds the \$5,000 per unit cost), telephones, calculators, furniture, copy machines, fax machines and other supplies such as pens, paper, etc. When reporting supplies on the WIA Closeout Inventory worksheet (worksheet is included in the closeout handbook), all similar supplies should be grouped together by category for inventory and fair market value purposes (e.g., computers, furniture, etc.).

If an aggregate inventory of unused supplies (see definition of “unused supplies” in the handbook) exists upon termination of the program or upon completion of the project that is \$5,000 or more in total aggregate “fair market” value (refer to page 7 for calculation of “fair market” value) and the subrecipient will use the supplies for another federal program, they may retain the supplies for that program. If the subrecipient cannot use the supplies for another federal program, they may retain the supplies for use on nonfederally sponsored activities or sell them. However, in either situation, compensation for the WIA federal funds’ share must be returned to the State. The amount of compensation is computed by applying the percentage of WIA federal funds used to purchase these items to the current “fair market” value of the supplies. If only WIA federal funds were used, then use 100 percent for the calculation. The subrecipients may deduct and retain from the WIA share \$500 or 10 percent of the proceeds of the sale, whichever is less, for the subrecipient’s selling and handling expenses. The balance of funds must be submitted within 30 days to the address provided below. The name of the entity, subgrant number, year of appropriation, and the funding stream must be provided when submitting the funds.

Funds received from the sale of supplies must be sent to:

Fiscal Programs Division, MIC 70
Employment Development Department
P.O. Box 826217
Sacramento, CA 94230-6217

If the subrecipient has no further use for the equipment and wishes to dispose of the equipment (other than selling the equipment) they must request disposition instructions from the State. If the inventory of unused supplies is less than \$5,000 in aggregate, the subrecipient may retain the supplies with no further obligation.

Disposition of Equipment (Governmental Agencies required to file a property certification)

For equipment with a per unit fair market value (refer to page 7 for calculation of “fair market” value) of \$5,000 or more, subrecipients of WIA funds must take the following steps (Title 29 CFR Part 97.32):

- The subrecipient may use the equipment in the program or project for which it was acquired as long as it is needed, whether or not the program or project continues to be supported by federal funds.
- If the equipment is no longer needed by the original program/project, the equipment may be used in other activities currently or previously supported by a federal agency. Priority should be given to federal programs funded by the Employment Training Administration of the Department of Labor (DOL).
- If the equipment is no longer needed by the program/project or for other activities currently or previously supported by a federal agency, the subrecipient may retain or sell the equipment and reimburse the State for the WIA federal funds’ share of the equipment. The compensation is determined by multiplying the current “fair market” value or proceeds from the sale by the WIA federal funds’ percentage share. If only WIA federal funds were used, then use 100 percent for the calculation. Actual and reasonable selling and handling expenses (\$500 or 10 percent of the proceeds of the sale, whichever is less) may be deducted from the proceeds of the sale. The balance of funds must be submitted within 30 days to the address provided below. The name of the entity, subgrant number, year of appropriation, and funding stream must be provided when submitting the funds.

Funds received from the sale of unused equipment must be sent to the following address:

Fiscal Programs Division, MIC 70
Employment Development Department
P.O. Box 826217
Sacramento, CA 94230-6217

- If the subrecipient has no further use for the equipment and wishes to dispose of the equipment (other than selling the equipment), they must request disposition instructions from the State.

For equipment with a “fair market” value of less than \$5,000 (per unit), subrecipients may retain, sell or dispose of the equipment and nothing needs to be reported to the State. A disposition record must be kept for any transaction in accordance with WIA record retention requirements.

Disposition of Equipment (Community Based Organizations, Institutions of Higher Education, Hospitals, other Nonprofit and Commercial Entities required to file a property certification)

For equipment with a per unit “fair market” value (refer to page 7 for calculation of “fair market” value) of \$5,000 or more, subrecipients of WIA funds must take the following steps (Title 29 CFR Part 95.34):

- The subrecipient may use the equipment in the program or project for which it was acquired as long as needed, whether or not the program or project continues to be supported by federal funds.
- If the equipment is no longer needed by the original program/project, the subrecipient shall use the equipment in connection with its other federally sponsored activities. Priority should be given to activities sponsored by the Employment Training Administration of the DOL. Next priority should be to activities sponsored by other federal awarding agencies.
- If the equipment is no longer needed by the program/project or used in connection with other federally sponsored activities, the subrecipient may retain the equipment for other uses provided compensation is made to the State. The compensation is determined by multiplying the current “fair market” value or proceeds from the sale by the WIA federal funds’ percentage share. If only WIA federal funds were used then use 100 percent for the calculation. Subrecipients are permitted to deduct actual reasonable selling and handling expenses (\$500 or 10 percent of the proceeds of the sale, whichever is less) from the proceeds of the sale. The balance of funds must be submitted within 30 days to the address provided below.
- The name of the entity, subgrant number, year of appropriation, and funding stream must be provided when submitting the funds.

Fiscal Programs Division, MIC 70
Employment Development Department
P.O. Box 826217
Sacramento, CA 94230-6217

- If the subrecipient has no further use for the equipment and wishes to dispose of the equipment (other than selling the equipment), they must request disposition instructions from the State.

For equipment with a “fair market” value of less than \$5,000 (per unit), subrecipients may retain, sell or dispose of the equipment and nothing needs to be reported to the State. A disposition record must be kept for any transaction in accordance with WIA record retention requirements.

Calculation of “Fair Market” Value

The selling price of an item that is sold through auction, advertisement, or a dealer is the “fair market” value of the item regardless of any prior estimates. An item that is not sold but retained by the entity has a “fair market” value based on similar items that are offered for sale, using the selling price if known. Methods for determining fair market value include, but are not limited to:

- Auctions
- Classified advertisements for similar used items
- Dealers
- Licensed appraisers

For automobiles, trucks, and vans, the standard authority on the value of used vehicles is the Kelley Blue Book. Depreciated value is not “fair market” value, nor a determining factor in establishing the “fair market” value.

Equipment Records

Subrecipients must maintain accurate records of all equipment (per unit cost of \$5,000 or more) purchased with federal funds. This equipment must have an identification tag or mark permanently attached showing that it was purchased with WIA federal funds. A physical inventory of the equipment must be taken and the results reconciled with the equipment records at least once every two years.

The equipment records shall include the following information:

1. A description of the equipment.
2. Manufacturer’s serial number, model number, Federal Stock number, national stock number, or other identification number.
3. Source of the equipment, including the award number.
4. Whether title vests in the recipient or the federal government.
5. Acquisition date (or date received, if the equipment was furnished by the federal government).
6. Per unit acquisition cost.
7. Records showing maintenance procedures to keep the equipment in good operating order.
8. Location and condition of the equipment and the date the information was reported.
9. Disposition date, sale price, loss, theft, etc.

Records Retention

All equipment records must be retained for three years after the date of acquisition, through final disposition and then maintained for three years beyond that point. Program income transaction records are retained from the end of the subrecipient’s fiscal year in which the income is earned. Subrecipients must retain all

records of each WIA allocation for a period of three years from the date of their last expenditure report submitted to the Workforce Investment Division. If any litigation, claim, or audit is started before the expiration of the three-year period, ALL records must be retained until all findings have been resolved and final action taken. Refer to the appropriate CFR-either 29 CFR 97.42 or 29 CFR 95.53.

Disposition of Disallowed Costs

When the resolution process (such as the Initial and Final Determination process) results in a determination by the State that identifies the disallowance of expenditures for WIA funds not expended in accordance with the WIA, a debt is established. The State is expected to collect that debt. The preferred corrective action for disallowed costs from WIA funds is nonfederal cash repayment either as a lump sum or as installments. Stand-in costs may also be used to offset disallowed costs.

Employment Development Department Financial Management Contacts:

<u>Name</u>	<u>Title</u>	<u>Telephone</u>	<u>E-mail</u>	<u>Fax</u>
Marie Gastelum	Analyst	916-653-0521	mgastelu@edd.ca.gov	916-654-9586
Martha Overman	Analyst	916-657-2744	moverman@edd.ca.gov	916-654-9586
Debra Shepherd	Analyst	916-654-2418	dshepher@edd.ca.gov	916-654-9586
Grey Rider	Analyst	916-654-7508	grider@edd.ca.gov	916-654-9586
Dave Rexius	Manager	916-654-8502	drexius@edd.ca.gov	916-654-9586

ACTION:

Bring this directive to the attention of the appropriate staff.

INQUIRIES:

Please forward questions about this directive to Dave Rexius, Manager, Financial Management Unit, at (916) 654-8502 or Marie Gastelum at (916) 653-0521.

/S/ BOB HERMSMEIER
Chief
Workforce Investment Division

Attachment is available on the Internet:

[WIA Line Item/Subgrant Closeout Handbook](#) (198k) (PDF)